88-755 (1)

No. 88-_____

Supreme Court, U.S.
FILED
NOV 4 1988
JOSEPH F. SPANIOL, JR.
CLERK

In the Supreme Court of the United States
October Term, 1988

ESTATE OF DEAN M. VANE
PETITIONER

VERSUS

THE FAIR, INC., ET AL
RESPONDENTS

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIFTH CIRCUIT

DANA ANDREW LeJUNE, ESQ.
2400 LYRIC CENTRE
440 LOUISIANA STREET
HOUSTON, TEXAS 77002-1636
TELEPHONE: (713) 227-7773

NEAL J. MOSELY, ESQ.
2916 W. T.C. JESTER BLVD.
SUITE 108
HOUSTON, TEXAS
TELEPHONE: (713) 680-9676

QUESTIONS PRESENTED

1. Certiorari should be granted where the Court of Appeals and the District Court erred in holding that Appellant, Estate of Dean Vane, failed to prove gross revenues attributable to the infringement committed by Appellee, The Fair, Inc. because Appellant failed to apportion profits attributable to the infringement from those elements of profits attributable to factors other than the infringement.

2. Certiorari should be granted where the Court of Appeals and the District Court erred in holding that Appellee, Vance-Mathews, Incorporated was an innocent infringer of the copyrights of Appellant, Estate of Dean Vane.

TABLE OF CONTENTS

	Page
OPINIONS BELOW	1
JURISDICTION	3
STATEMENT OF THE CASE	3
A. SUBSTANTIVE FACTS	3
B. PROCEDURAL HISTORY	7
REASONS FOR GRANTING THE WRIT	8
ARGUMENT	8
CONCLUSION	42
CERTIFICATE OF SERVICE	43
EXHIBIT A - OPINIONS BELOW	A 1 - A26

TABLE OF CITATIONS

CASES:	Page
Abkco Music, Inc. v. Harrisongs Music, Ltd. 722 F.2d 988, 999 (2d Cir. 1983)	23, 30

Albermarle Paper Co. v. Moody
422 U.S. 405, 96 S.Ct. 2362..... 18

Brown Bag-Filling Machine Co. v.
Drohen, 171 F. 438 11

Callaghan v. Myers 128 U.S. 617 (1888)
..... 23, 28

Costello Publishing Co. v. Rotelle
670 F.2d 1035 (D.C.Cir. 1981)..... 35

Fox Typewriter Co. v. Underwood
Typewriter Co., 289 F. 447 (6th
Cir.)..... 11

Johnson v. Uncle Ben's, Inc.
628 F.2d 419 (5th Cir. 1980)..... 18

Lewis v. Bloomsburg Mills, Inc.
773 F.2d 561
(4th Cir. 1985) 18, 20, 21

Lottie Joplin Thomas Trust v. Crown
Publishers, Inc. 591 F2d 651
(2d Cir. 1978)..... 27

MCA, Inc. v. Wilson
677 F2d 180 (2d Cir. 1981) 28

Mowry v. Whitney, 14 Wall. 620.....11

Neal v. Thomas Organ Co.
241 F.Supp. 1020 (S.D. Cal. 1965)
..... 24, 31

Russell v. Price
612 F2d 1123 (9th Cir. 1979) ...23, 27

Shapiro Bernstein & Co. v. Remington
Records, Inc. 265 F.2d 263
(2d Cir. 1959) 11, 12

Sheldon v. Metro-Goldwyn Pictures
Corp. 309 U.S. 390 (Sup. Ct. 1940)
.....23, 29, 30

Sygma Photo News, Inc. v. High Society
778 F(2d) 89 (2nd Cir. 1985)
..... 23, 26, 42

Taylor v. Meirick
712 F2d 1112 (7th Cir. 1983)
..... 23, 25, 26

Thomas Wilson & Co. v. Irving J. Dorfman Co.
433 F.2d 409 (2d Cir. 1970).... 25, 26

Twentieth Century-Fox Film Corporation v. Dunnahoo
637 F 2d 1338 (C.A. 9) 33, 34

Wilkie v. Santly Bros., Inc. et al
139 F.2d 264 (2d Cir. 1943) 11

STATUTES:

17 U.S.C. 101(b) 3, 28

17 U.S.C. 405(b)

..... 3, 27, 30, 30, 32, 33, 36, 37, 39, 40, 41

17 U.S.C. 504(b)

..... 3, 9, 24, 27

28 U.S.C. 1254
..... 3

NO. 88- _____

IN THE SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1988

ESTATE OF DEAN M. VANE

Petitioner

vs

THE FAIR, INC., ET AL

Respondents

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIFTH CIRCUIT

Petitioner, Estate of Dean M. Vane respectfully prays that the Petition for Writ of Certiorari to the United States Court of Appeals for the Fifth Circuit be granted in this case.

OPINIONS BELOW

The opinions of the Court of Appeals for the Fifth Circuit that are

the basis of this petition are reported as ESTATE OF Dean M. VANE, Richard J. Vane, Executor substituted in place and stead of Dean M. Vane, Deceased, Plaintiff-Appellant Cross-Appellant v. The Fair, Inc. Defendant-Appellee, Cross-Appellant, Vance-Mathews, Incorporated, Defendant-Appellee 849 F.2d. 186 (5th Cir. 1988), rehearing denied. Copies of the opinion and order denying rehearing are attached hereto in Petitioner's Appendix at A 1 - A 15.

Other opinions below pertinent to the determination of this case are:

U.S. District Court The decision of the U.S. District Court for the Eastern District of Texas, Beaumont Division, is reported as Dean M. Vane, Plaintiff v. The Fair, Inc. and Vance-Mathews, Incorporated, Defend-

ants 676 F.Supp. 133 (D.C. E.D. Texas 1987)

A copy of the opinion is attached hereto in Petitioner's Appendix at A 16 - A 26.

JURISDICTION

Petitioner invokes the jurisdiction of this Court by way of a Petition for Writ of Certiorari through the authority of 28 U.S.C. § 1254 (1).

STATEMENT OF THE CASE

A. Substantive Facts

The trial court action arose under the Copyright Act of 1976, Public Law 94-553, 94th Congress, U.S.C., Title 17, Sections 101 et seq., as amended.

Appellant, Dean M. Vane, was an individual proprietorship (a commer-

cial photographer), resided in Dallas, Texas, and was a citizen of the United States and of the state of Texas. Subsequent to the verdict of the trial court, Dean M. Vane died, and the Estate of Dean M. Vane was substituted as Appellant.

Appellee The Fair, Inc. is a corporation of Texas with offices in Beaumont, Dallas, and Houston, Texas and Appellee Vance-Mathews, Incorporated is a corporation of Texas, having offices in Beaumont, Dallas, and Houston, Texas.

During the period from about March 1, 1983 to May 31, 1984, inclusive, Appellant, a commercial photographer, took a series of photographs for Appellee, The Fair, Inc. expressly for advertising mailers.

The photographs are wholly original with Appellant and are the

subject of Copyright Registrations Nos. VAu74-807, VAu74-808, and VAu88-770. Appellant was and his successors are still the sole proprietors of all rights, title and interests in and to the copyright in said photographs. Appellant sold the slides containing the photographs to the Appellee, The Fair, Inc. but did not transfer the copyright to the photographs nor did he grant any license for use other than for the stated purpose of advertising mailers.

While Appellee The Fair, Inc. was authorized to use the photographs in mailers, it was never authorized to publish the photographs without a copyright notice. Appellant had never published his photographs, and there was never an authorized publication without copyright notice. Appellee

The Fair, Inc. published the photographs without a copyright notice (without Appellant's authorization) and at trial, tried to question the validity of the copyright registrations because of the lack of a notice for which it was responsible.

Appellee The Fair, Inc. caused television commercials to be produced by Appellee, Vance-Mathews, Incorporated, and said Appellee then caused the commercials to be shown on a number of television stations in east Texas and Louisiana. Appellee Vance-Mathews, Incorporated profited directly from the production of the commercials and/or the placement of the ads. Appellee The Fair, Inc. profited from the showing on television of the commercials in the sale of goods in its stores, such profits being attribut-

able to the use of the Appellant's photographs.

B. Procedural History

The Appellant, Dean M. Vane, filed suit No. B-84-1267-CA in the United States District Court for the Eastern District of Texas, Beaumont Division against Appellees, The Fair, Inc. and Vance-Mathews, Incorporated for copyright infringement.

Answers were filed by Appellees, and depositions of the parties and witnesses were taken, and Appellant filed a motion for summary judgment which was denied by the trial court. The case was tried to the Court and, after Appellant rested his case, a directed verdict was granted on behalf of Appellee, Vance-Mathews, Incorporated Appellee, The Fair, Inc. then put on its defense, and judgment was rendered in favor of

Appellant for $60,000.00 in actual damages. Holding that Appellant, Estate of Dean M. Vane failed to prove that Appellee, The Fair, Inc. made profits attributable to the infringement, the trial court made no award of profits of Appellee, The Fair, Inc. to Appellant.

Appellant, Estate of Dean M. Vane appealed the verdict of the trial court to the Fifth Circuit Court of Appeals, and the holdings of both the trial court and court of appeals are set out in the appendix attached hereto.

REASONS FOR GRANTING THE WRIT

ARGUMENT

1. Certiorari should be granted where the Court of Appeals and the District Court erred in holding that Appellant, Estate of Dean M. Vane, failed to

prove gross revenues attributable to the infringement committed by Appellee, The Fair, Inc. because Appellant failed to apportion profits attributable to the infringement from those elements of profits attributable to factors other than the infringement.

Webster's Dictionary defines the word "attributable" as "to explain by indicating a cause." Using the testimony adduced during pre-trial discovery, and Appellee's own profit and loss data, this is exactly what Appellant, Estate of Dean M. Vane's proof on multiple regression analysis did. Appellant, Estate of Dean M. Vane, submits that Congress used the word "attributable" in the 1976 Act to allow the copyright owner to recover profits which are derived through an

infringing business activity from which profits do not directly flow. This allows for recovery of profits attributable to advertising in the case of a merchant who uses such advertising, or profits from a party who produced such an infringing advertisement for profit.

In proving profits, it should be noted that Appellant, Dean Vane, need only show profits attributable to the infringement. If the infringing activity shows a profit, it is irrelevant that the profit was not sufficient to overcome losses in other parts of the infringer's operations. In other words, a profit is still a profit whether it is measured from a point of loss, from a neutral point, or from a profit level.

The Second Circuit addressed the very same point in Wilkie v. Santly Brothers, Inc., et al. 139 F.2d 264 (2d Cir. 1943), citing Tilghman v. Proctor (Supreme Court) 125 U.S. 136; Fox Typewriter Co. v. Underwood Typewriter Co., (6th Cir.), 287 F. 447. If it was proved that it lost less because of the infringement, to that extent the infringement gave it a profit for which it must account. Mowry v. Whitney, 14 Wall. 620; Brown Bag-Filling Machine Co. v. Drohen, 171 F. 438.

An infringer's sales may be shown by financial records where they are available, but where records are not available, expert testimony may be used to develop such proof. Shapiro Bernstein & Co. v. Remington Records, Inc. 265 F.2d 263 (2d Cir. 1959)

In the present case, Appellee, The Fair, Inc. was unable to produce financial records or an evaluation of its own records which would identify the volume of sales attributable to the infringement and the proper deductions allowable against such deductions. This is clearly a "failure to keep records" noted by the court in Shapiro Bernstein & Co. v. Remington Records, Inc. 265 F.2d 263 (2d Cir. 1959); a reason for using expert testimony.

Appellant, Dean Vane, therefore relied upon the testimony of a marketing expert, Herbert L. Lyon, PHD of the University of Houston.

Dr. Lyon, testified that Appellee, The Fair, Inc.'s profits from television advertising during the periods that the copyrights were infring-

ed, inclusive of prejudgment interest, was in excess of $694,000. This was presented not as a guess or speculation, but as an expert opinion based on strong mathematical and statistical correlation.

Initially, the problem was thought to involve a preliminary determination of what specific products were advertised, and then making a determination of any increase in the sales of those products during the relevant periods. However, Appellee, The Fair, Inc. was unable to provide the necessary data for this endeavor. In fact, had Appellees been able to provide the data from which an "incremental sales analysis" would have been made, a large part of the profits that are realized through television advertising would have not been captured.

Dr. Lyon's analysis was able to capture the effect of such things as the latent effect ("carryover") as well as the "crossover effect" (customer sees ad for shirt, visits store but buys jeans instead) peculiar to sales generated by television advertising, which otherwise would have remained unaccounted for by such an incremental analysis. Dr. Lyon presented a mathematical and statistical model based entirely on sales data and advertising expenditures data of Appellee, The Fair, Inc. for the years 1980 - 1986. His analysis indicated the effect of advertising as well as the lack of advertising on profits, and provided a detailed and highly accurate analysis of the effectiveness of Appellee's television advertising.

The purpose of Dr. Lyon's analysis was to indicate a dollar rate of return per dollar spent on television advertising and to calculate the sales attributable to the advertising using Dean Vane's photographs (slides). In fact, the model was based on several years of data provided by The Fair Inc., and was able to accurately predict sales experienced by The Fair, Inc. This ability of the model to predict The Fair, Inc.'s actual sales verifies the model's accuracy.

At the trial, The Fair, Inc. did not impune the accuracy or reliability of Dr. Lyon's model and, in fact, assumed the accuracy of his model as to Appellee's profits attributable to the infringement in questioning the bookkeeper who appeared as The Fair, Inc.'s expert. The advertising

vice-president of Appellee, The Fair, Inc. indicated that he would not be surprised if the ratio between television advertising and sales was between 1:10 and 1:20. Many months later, the same gentleman changed his mind, and gave his "revised" opinion that the relationship between Appellee's advertising expenditures and return on dollar investment was 1:5. That is to say that it was admitted that for every dollar Appellee spends on advertising (all advertising), it derives a return of five dollars. When asked how The Fair, Inc. was able to lower its opinion of the return on advertising, Mr. Glinsky responded "[By] Taking the total-- and basically we had to do it by a good guesstimate as opposed to direct figures." Coincidentally, Dr. Lyon found the relat-

ionship for all of The Fair, Inc.'s advertising to be 1:13. The trial court nevertheless, found that all the evidence presented by Appellee, Vane on the issue of profits attributable to the infringement to be "totally speculative".

Dr. Lyon testified that his regression analysis of the Appellee's profits had a confidence level of greater than 95%, that the probability that the dollar return on each dollar spent on television advertising by Appellee, The Fair, Inc. being due to chance is about 1.8 chances in one hundred (100), and finally that the probability that the model as a whole was due to chance was less than one (1) chance in ten thousand (10,000). This is hardly what one might call speculative.

This technique used by Dr. Lyon was a multiple regression formula of the type relied upon by the United States government in anti-trust cases, minority discrimination cases and the like, and the accuracy of the model was well within the minimum standards for statistical evidence set by various Circuit Courts (including the 5th Circuit) in the United States. Lewis v Bloomsburg Mills, Inc., 773 F.2d 561 at 569 (4th Cir. 1985) Johnson v Uncle Ben's, Inc., 628 F.2d 419 (5th Cir. 1980) and see, Albemarle Paper Co. v Moody, 422 US 405, 95 S Ct 2362. Also, Fisher, Multiple Regression in Legal Proceedings, 80 Colum. L. Rev. 702 (1980).

Dr. Lyon testified, and Appellee produced no testimony to the contrary, that the technique used is one

generally accepted by expert economists and used in the business world. In fact, his technique is the very one which would be used by a business trying to obtain a definitive correlation of advertising with sales, and, as admitted by Appellee, The Fair, Inc., is truly the only accurate way for a retailer to assess the effectiveness of its television advertising.

Appellee, The Fair, Inc. during its defensive manuvering at trial, never called into question either Dr. Lyon's credibility or sincerity, but merely asserted that the regression analysis method is speculative. Defendant, Appellee called no expert witness to point out any deficiency, error or any problem whatsoever in the regression method, and as stated in Appellant's brief, merely sought to

cast doubt in the mind of the fact-finder about the method's efficacy. Thus, the trial court had no evidence or insufficient evidence to reject this statistical assessment of profits earned by Appellee, The Fair, Inc.

Lewis v Bloomsburg Mills, Inc., 773 F2d 561 at 574 and 575 (4th Cir., 1985):

> "But Bloomsburg offered no countering evidence (emphasis added) tending to suggest that a particular factor not worked into Mann's regression analysis would indeed provide a more substantial non-discriminatory explanation or at least by that specific means draw Mann's analysis in direct question. Indeed, the basic accuracy of Mann's methodology was not seriously challenged by Bloomsburg's expert, whose testimony was essentially aimed only at pointing up the methodology's ultimate limitation and in questioning some of its incidental aspect."

Because the statistical regression analysis as explained by Dr. Lyon had such a high confidence level,and is based upon documentary

evidence, it is entitled to consideration by the trial court as having satisfied all standards for such evidence. The Court in Bloomsburg found that that regression analysis was "convincing" saying:

> "Unchallenged expert opinion testimony established (emphasis added) that such a disparity was statistically significant in the sense that the probability that it might be explained by chance alone was no better than one in one thousand. This clearly satisfied the standards we have imposed for finding from statistical evidence of this sort, whether or not supported by other non-statistical evidence, a pattern or practice of race or other illegal employment discrimination. (id. at 569)"

A five percent (5%) significance level has been held the proper minimum permissible level of statistical evidence. See W. Dixon & F. Massey, Introduction to Statistical Analysis 100 (3rd ed. 1969; and also Beyond the

Prima Facie Case in Employment Discrimination Law; Statistical Proof and Rebuttal, 89 Harv.L.Rev. 387, 400-401 at n. 58 (1975) and cases cited therein.

Although The Fifth Circuit Court of Appeals concluded the portion of its opinion relating to proof of profits by stating that it "merely hold(s) that it was not error for the district court to reject this attempt to show revenues attributable to the infringement as speculative," the entire rationale used to do so rests upon an improper placement of the burden of proof. The Fifth Circuit Court of Appeals held that the burden of proof to apportion profits not attributable to the infringement from the profits attributable to the infringement rests with the copyright

owner. This is contrary to holdings in the 2nd, 7th and 9th circuits, see, Taylor v. Meirick 712 F2d 1112 (7th Cir. 1983); Sygma Photo News, Inc. v. High Society 778 F(2d) 89 (2nd Cir. 1985) and Russell v. Price 612 F2d 1123 (9th Cir. 1979) More specifically, the Court applied an improper burden of proof by holding that Vane had not apportioned the amount of "profits" attributable to that portion of the television ads containing the infringing slides from "profits" attributable to the commercials as a whole. This is contrary to two U.S. Supreme Court cases and the lower court cases applying those decisions. Callaghan v. Myers 128 U.S. 617 (1888) Sheldon v. Metro-Goldwyn Pictures Corp., 309 U.S. 390 (Sup. Ct. 1940) Abkco Music, Inc. v. Harrisongs Music,

Ltd.722 F.2d 988, 999 (2d Cir. 1983) Neal v. Thomas Organ Co. 241 F.Supp. 1020 (S.D. Cal. 1965)

The Fifth Circuit Court of Appeals held that Vane did not carry the burden of proof as to the amount of profits attributable to the infringement because Appellant Vane's expert, Dr. Lyon, did not specify what portion of the profits from each television commercial were attributable to the infringing slides.

While the burden of proof of profits is on the Appellant copyright owner, it is well established that this goes only to the proof of gross sales. Title 17 USC § 504(b) specifically provides that in establishing the infringer's profits, the copyright owner is required to present proof only of the infringer's gross reven-

ues, and the infringer is required to prove the deductible expenses and elements of profit attributable to factors other than copyrighted work. Once some reasonable evidence of the infringer's gross sales is presented, the copyright owner has met the burden of proof. The burden then shifts to the Appellee infringer to show (a) proper deductions from gross sales which may be made to show net profits, and (b) apportionment, where proper, between the profit attributable to the infringement and not attributable to the infringement. The infringer must then prove every element of deduction for relevant expenses, both direct and indirect. Taylor v. Meirick 712 F.2d 1112 (7th Cir. 1983) Thomas Wilson & Co. v. Irving J. Dorfman Co. 433 F.2d 409 (2d Cir. 1970).

Taylor v. Meirick 712 F2d 1112 (7th Cir. 1983):

> "Copyright owner seeking to establish infringer's profits is required to present proof only of infringer's gross revenue, and infringer is required to prove deductible expenses and elements of profit attributable to factors other than copyrighted work; copyright owner could make prima facie case for award of infringer's profit by showing infringer's gross revenues for sale of infringing work, but award of infringer's profits cannot simply be rested on tax return showing gross revenues from everything sold."

Sygma Photo News, Inc. v. High Society 778 F(2d) 89 (2nd Cir. 1985), in affirming the district court, held:

> "The district court awarded summary judgment against Doorjam and Drake as infringers of the copyright of the photograph. The parties then avoided a damages trial by stipulating to the facts necessary for the court to determine damages. Noting that once gross revenues from the infringing work were established the burden rested

upon the infringer to prove those expenses that should be deducted to establish profit."

Lottie Joplin Thomas Trust v. Crown Publishers, Inc. 591 F2d 651 (2d Cir. 1978):

"Infringers have burden of proving what portion of their total profits resulted from non-infringing recordings; placing apportionment burden on infringers, best comports with Second Circuit Court of Appeal's admonition that in apportioning profits **every indulgence should be granted copyright owner in attempt to arrive at sum that is assuredly adequate**; this is precisely approach taken in revised Copyright Law; thus, 17 U.S.C. Section 504(b) (1976) provides that infringer is required to prove elements of profit attributable to factors other than copyrighted work; placing apportionment burden on infringer is sensible, since in most cases all information regarding profits is exclusively in his possession." (emphasis added)

Russell v. Price 612 F2d 1123 (9th Cir. 1979):

"Infringer's profits to which copyright proprietor may

be entitled consist of gross receipts or sale profits from infringing use of work, which it is copyright proprietor's burden to establish, less any direct costs incurred by infringer in connection with unauthorized use, on which infringer bears burden of proof; if infringer does not assume this burden, or if its attempt to do so is found unacceptable by court, then gross figure is left to stand as profit factor under 17 U.S.C. 101(b)" (emphasis added).

MCA, Inc. v. Wilson 677 F2d 180 (2d Cir. 1981):

"Profit" was not defined in Copyright Act and therefore must be assumed to have its ordinary or usual meaning; salary paid president of cabaret where infringed song was played as part of show, who, although he was in charge of premises, had nothing to do with this show, where there was no proof that annual salary he was paid was contingent upon or fixed by profits of show, and, moreover, other shows were being performed on premises, was not profit from infringed song. (emphasis added)

The U.S. Supreme Court in Callaghan v. Myers 128 U.S. 617 (1888) held that the Appellee must bear the

burden of paying all of the profits since it was he who caused the mingling of the infringing and non-infringing elements. The court's decision in the present case is clearly contrary to the holding of the Supreme Court in Callaghan v. Myers.

Sheldon v. Metro-Goldwyn Pictures Corp., 309 U.S. 390 (Sup. Ct. 1940) modified this holding somewhat, and allowed apportionment. However, it did not overrule Callaghan v. Myers but rather construed the prohibition against apportionment only where there is insufficient evidence to provide a fair basis of division.

In the present case, the Fifth Circuit Court of Appeals bypassed the matter of apportionment by holding that Appellant, Estate of Dean M. Vane failed to prove "gross revenues attri-

butable to the infringement." Appellant would show that in so doing, the Fifth Circuit Court of Appeals has applied an unreasonably narrow definition of "infringement" that would effectively change the entire burden of proof specifically delineated by Congress in Title 17 U.S.C.

The cases applying apportionment generally involve situations where one infringing song is on a record with ten non-infringing songs or where other factors are present as in Sheldon v. Metro-Goldwyn Pictures Corp. In Sheldon, the infringement was of a play used in a movie, but the court found that about 80% of the profit was due to the stars in the movie rather than the plot used.

Abkco Music, Inc. v. Harrisongs Music, Ltd. 722 F.2d 988, 999 (2d

Cir. 1983), however, held that where an infringement is deliberate no apportionment is permissible. This case is on similar to the present case in that only part of the total work involved the infringement yet apportionment was disallowed.

Neal v. Thomas Organ Co. 241 F.Supp. 1020 (S.D. Cal. 1965) refused apportionment on the grounds that the non-infringing material would have no commercial value if separated from the infringing material, even if it did have a value when sold in conjunction with the infringing material. This case is on "all fours" with the present case in that only part of the total work involved the infringement and The Fair's testimony was that the non-infringing material would have no commercial value if separated from the

infringing material, even if it did have a value when sold in conjunction with the infringing material.

In both cases, however, the burden of proof to apportion the profits not attributable to the infringement from profits attributable to the infringement is on the infringer, not on the copyright owner.

2. Certiorari should be granted where the Court of Appeals and the District Court erred in holding that Appellee, Vance-Mathews, Incorporated was an innocent infringer of the copyrights of Appellant, Estate of Dean M. Vane.

The court, in affirming the trial court, applied the defense of innocent infringement set forth in 17 USC 405(b) improperly where Vance-Mathews relied upon the omission of

copyright notice from an unpublished copy or the original of the copyrighted work. Twentieth Century-Fox Film Corporation v. Dunnahoo 637 F 2d 1338 (C.A. 9)

In the present case, the defense of innocent infringement set forth in 17 USC 405(b) was improperly allowed where Vance-Mathews relied upon the omission of copyright notice from an unpublished copy or the original of the copyrighted work rather than an "authorized copy" as specified in the statute.

The trial court and the Fifth Circuit Court of Appeals have both failed to appreciate the difference between the publication of an "authorized copy" without copyright notice and the absence of copyright notice from an unpublished or original work

for which there is no obligation to mark with the copyright notice.

There is no obligation under the law for a copyright owner to place a copyright notice on his work(s) until they are published.

Twentieth Century-Fox Film Corporation v. Dunnahoo

637 F 2d 1338 (C.A. 9):

> "Only authorized publications must carry copyright notice in order to maintain copyright protection for work."

Vance-Mathews, Incorporated's defense, both before the trial court and on appeal, has been a blend of the defense of innocent infringement and the defense of unintentional infringement or innocent intent. Neither Vance-Mathews, Incorporated nor the trial court appears to have recognized that there is any difference between these defenses.

The Law of Copyright, Nimmer, 1986, Matthew Bender and Company, Inc., Section 13.08 discusses at length the defense of innocent intent. In actions for statutory copyright infringement the innocent intent of the Appellee will not constitute a defense to a finding of liability. Where a Appellee's work is based upon a work furnished by a third party, the Appellee's ignorance that the third party has wrongfully copied from the Appellant will not immunize him from liability although it may affect the remedy. Costello Publishing Co. v. Rotelle 670 F.2d 1035 (D.C.Cir. 1981). In the present case, Vance-Mathews may have been ignorant of the existence of the copyright, but that should not excuse it from joint liability for its infringing acts.

The Fifth Circuit Court of Appeals affirmed on the basis of "innocent infringement," and, by inference, held that Vance-Mathews was misled by the omission of copyright notice from Vane's slides. The omission of notice from unpublished or original works, however, is not a basis for the innocent infringement defense.

The 1976 Act, 17 USCS 405(b):

> "Any person who innocently infringes a copyright, in reliance upon an authorized copy or phonorecord from which the copyright notice has been omitted (emphasis added), incurs no liability for actual or statutory damages under section 504 for any infringing acts committed before receiving actual notice that registration for the work has been made under section 408, if such person proves that he or she was misled by the omission of notice. In a suit for infringement in such a case the court may allow or disallow recovery of any of the infringer's profits attributable to the infringement, and may enjoin the continuation of the infringing

> undertaking or may require, as a condition for permitting the continuation of the infringing undertaking, that the infringer pay the copyright owner a reasonable license fee in an amount and on terms fixed by the court."

The statute covers essentially a situation where the infringer is entrapped by lack of notice of the copyright from a published work, i.e., an "authorized copy". The defense of innocent infringement raised by Vance-Mathews, Incorporated was not supported by the fact findings of the trial court. "Reliance upon an authorized copy or phonorecord from which the copyright notice has been omitted" in 17 U.S.C. 405(b) lies at the very heart of the innocent infringement defense. An "authorized copy or phonorecord from which the copyright notice has been omitted" means a copy or phonorecord published, i.e., pub-

licly distributed by or with authorization of the copyright owner. Omission of copyright notice from an unpublished copy is not relevant since Title 17 does not require copyright notice be placed on unpublished copies of the author's work.

Since there was neither a "public distribution" nor a "publication" of the photographs or slides by appellant (The trial court held in its findings against The Fair, Inc. that the photographic slides were not published by appellant by delivering them to The Fair, Inc. without notice of copyright affixed thereon), The Fair, Inc.'s delivery of appellant's photographic slides to Vance-Mathews, Incorporated was not a delivery of an "authorized" copy having no copyright notice thereon.

In determining whether there is an innocent infringement under 17 U.S.C. 405(b), the operative words of the statute are (1) any person who innocently infringes a copyright, (2) in reliance upon an authorized copy or phonorecord from which the copyright notice has been omitted, and (3) if such person proves that he or she was misled by the omission of notice.

Here, Vance-Mathews, Incorporated committed the acts of infringement, i.e. producing and televising the infringing advertisements, for hire. It was paid to commit the infringement and cannot claim innocence. The acts were willful. Vance-Mathews, Incorporated did not act in reliance upon an authorized copy or phonorecord from which the copyright notice was omitted. The trial court held that

Vane's delivery to The Fair, Inc. was not a publication of the photographic slides. The subsequent publication, without copyright notice, by The Fair, Inc. was not an authorized publication as defined by the statute. Hence, Vance-Mathews, Incorporated was not misled by the omission of copyright notice from appellant's slides. Finally, there was no evidence in the case whatsoever that Vance-Mathews, Incorporated was misled by seeing any authorized copy of appellant's photographs which omitted the copyright notice.

The Fifth Circuit Court of Appeals, in holding that Vance-Mathews was an innocent infringer, quoted 17 USC 405(b) and then stated that the Copyright Act defines "copies" as "material objects" and that "copies"

includes the original object. This holding overlooks the fact that 17 USC 405(b) refers to "authorized copies" not "copies." 17 USC 405, in general, refers to the effect of omission of the copyright notice from "publicly distributed copies." The term "authorized copies" must therefore refer to publications. Consequently, Vance-Mathews may have been misled by the absence of a copyright notice on the slides, but the lack of notice was not on an "authorized copy" and therefore 17 USC 405(b) does not apply.

In this case, the defense of innocent infringement set forth in 17 USC 405(b), if applicable, would not insulate Vance-Mathews' from liability as a joint infringer with The Fair, Inc. with whom it cooperated, and through which it profited, in carrying

out the infringement. Joint infringers (principal and agent are joint infringers) are jointly and severally liable for copyright infringement. Sygma Photo News, Inc. v. High Society 778 F(2d) 89 (2nd Cir. 1985). Even if Vance-Mathews were an "innocent infringer," it would still be liable for its joint infringement with The Fair in televising the infringing commercials.

CONCLUSION

For the foregoing reasons, petitioner respectfully submits that the petition for writ of certiorari in this case should be granted.

DANA A. LEJUNE
2400 Lyric Centre
440 Louisiana Street
Houston, TX 77002-4906
Texas Bar No. 12188250
Attorney for Appellant,
Estate of Dean M. Vane

CERTIFICATE OF SERVICE

I hereby certify that I have this day, the __day of October, 1988, caused to be mailed, via U.S. Postal Service, first class postage prepaid, three copies of the above and foregoing Petition for Writ of Certiorari to the Court of Appeals for the Fifth Circuit to each of the counsel of record as follows: the 26th day of July, 1988.

_____

Dana A. LeJune

EXHIBIT A

ESTATE OF VANE v. THE FAIR, INC.

ESTATE OF Dean M. VANE, Richard J. Vane, Executor substituted in place and stead of Dean M. Vane, Deceased, Plaintiff-Appellant Cross-Appellee.

v.

THE FAIR, INC., Defendant-Appellee, Cross-Appellant.

Vance-Mathews, Incorporated, Defendant-Appellee.

No. 87-2757.

United States Court of Appeals, Fifth Circuit

July 14, 1988

Photographer brought action against department store and advertiser for infringement of copyright in

connection with use of photographic slides in television advertising. The United States District Court for the Eastern District of Texas, A. Joe Fisher, J., 676 F.Supp. 133, entered judgment in favor of photographer with respect to infringement claim against department store, but found that advertiser was innocent infringer and limited amount of damages to value of slides. Photographer appealed. The Court of Appeals, Alvin B. Rubin, Circuit Judge, held that: (1) district court properly ruled that expert testimony presented by photographer was inadequate to establish department store's profits attributable to infringement, and (2) evidence supported finding that advertiser was innocent infringer.

Affirmed.

1. **Evidence -- 177,186(2), 520**

When financial records sufficiently detailed to show copyright infringer's sales are not available, expert testimony may be used to develop either such proof or proof of infringer's profits rather than its sales. 17 U.S.C.A. § 504(b).

2. **Evidence -- 571(1)**

Testimony of photographer's expert was inadequate to establish department store's profits attributable to copyright infringement resulting from store's use of photographic slides in television commercials; lump-sum figure for profits attributable to television commercials that contained copyrighted slides did not account for fact that infringed material constituted only fraction of any given commercial, and expert did not

take into account different elements of commercials in generating profits for infringer.

3. Copyright and Intellectual Property -- 83(3)

Evidence supported district court's finding that advertiser was innocent infringer with respect to copyrighted photographic slides used in television commercial for department store; president of advertiser testified that agency had no knowledge that slides were copyrighted, and evidence indicated that photographer had failed to affix any copyright mark or notice to slides he delivered to department store.

Appeals from the United States District Court for the Eastern District of Texas.

Before WISDOM, RUBIN, and JONES Circuit Judges.

ALVIN B. RUBIN, Circuit Judge:

The owner of an infringed copyright asks this court to increase the amount of damages awarded it by the district court and to find liability on the part of a co-defendant the district court held to have been an innocent infringer. We find that the district court did not err in failing to base the damage ward on those profits of the infringer allegedly attributable to the infringement because the infringer did not establish the amount of those profits, if any there were, and the court did not err in finding the co-defendant innocent. Accordingly, we affirm.

I.

The Fair, a chain of retail stores, hired photographer Dean Vane to prepare slides showing its merchandise with the stated purpose of using the slides in printed advertising material to be mailed to its customers. Later, however, The Fair hired Vance-Mathews, Inc., an advertising agency, to produce television commercials, which incorporated some of Vane's slides as well as a substantial amount of material from other sources. Several television stations aired the commercials. Vane brought an action based on copyright infringement against The Fair, asserting that his agreement with The Fair involved merely a license to use the slides to produce mailers and that he retained all other rights to the slides provided by copyright law. Vane also contended that Vane-Mathews,

the advertising agency that had produced the commercials, was liable as an infringer. The district court granted Vance-Mathews's motion for a directed verdict on the theory that Vance-Mathews was an innocent infringer and could therefore be liable only to the extent of profits it had gained through the infringement, of which there were none. The court held that The Fair was liable, and it awarded damages in the amount of $60,000, an amount representing the value of the use of the slides in the commercials. 676 F.Supp. 133. The court refused to make a damage award based on profits The Fair had accrued by virtue of the infringement; it found that the evidence was too speculative to support such an award. On appeal, Vane contends that the court erred in denying

an award based on The Fair's profits and in granting Vance-Mathews's motion for a directed verdict.

II.

In a copyright infringement action, the infringer is liable for either statutory damages or the copyright owner's actual damages together with any additional profits of the infringer that are attributable to the infringement.[1] Vane elected to seek actual damages and profits. The statute that authorizes this recovery also provides that in establishing the infringer's profits, the copyright owner need prove only the infringer's gross revenues, while the infringer must prove his deductible expenses and must show which elements of profits are attributable to sources other than the copyrighted work.[2]

Vane attempted through discovery to obtain financial records of The Fair that would enable him to satisfy his burden of proving The Fair's gross revenues attributable to the infringement, but the records were not detailed enough to show the amount received from the sales of particular items shown in the slides. Therefore Vane attempted to establish The Fair's gross revenues, and ultimately its profits, by introducing as an expert witness Dr. Herbert Lyon, Professor of Marketing at the University of Houston's College of Business Administration. Dr. Lyon testified that he had conducted a multiple regression analysis designed to show how much each dollar The Fair spent on television advertising would yield in sales. Dr. Lyon examined monthly data, including profit-and-loss statements and summar-

ies of media costs over a five-year period. He calculated that The Fair sold approximately $25.60 in merchandise for every dollar it spent on television advertising. He multiplied $25.60 by the number of dollars The Fair spent on the infringing television commercials to yield a gross revenue figure, then deducted certain costs to The Fair, including the actual cost that The Fair had paid for the merchandise it sold, transportation charges for getting the merchandise to the stores, a 3% allowance for pilferage, and some other direct operating expenses. After adjusting the resulting figure for inflation, Dr. Lyon concluded that The Fair's profits attributable to its infringement of Vane's slides exceeded $694,000. The district court held that Vane had not brought forth sufficient proof of The

Fair's profits and refused to award damages based on Dr. Lyon's calculations.

1. 17 U.S.C. § 504 (1982).

2. Id. § 504(b) (1982).

[1,2] When financial records sufficiently detailed to show an infringer's sales are not available, expert testimony may be used to develop either such proof[3] or, as Vane attempted, proof of its profits rather than its sales. But it is the trial court's role to evaluate this testimony.[4] The trail court in this case concluded, with ample basis, that the testimony introduced was inadequate to establish The Fair's profits attributable to the infringement.

3. Shipiro Bernstein & Co. v. Remington Records, Inc., 265 F.2d 263m 266-72 (2d Cir. 1959).

4. See, e.g., Equal Employment Opportunity Comm'n v. Datapoint Corp., 570 F.2d 1264, 1269-70 (5th Cir.1978).

In conducting his analysis, Dr. Lyon took into account a variety of factors designed to refine his calculations. For instance, his model purported to consider seasonal sales trends, specifically the pre-Christmas boom in sales; the downward economic trend in the Houston area in the early 1980's; and the carryover effect by which an advertisement continues to contribute to some sales long after its initial airing. By taking such factors into account, Dr. Lyon testified, he attempted to produce a model that would analyze with the greatest possible precision the relationship between advertising dollars spent and resulting profits.

Cross-examination, however, brought to light a number of potential shortcomings in this analysis. Dr. Lyon's model yielded only a lump-sum figure for profits attributable to the television commercials that contained infringed material as a whole without accounting for the fact that the infringed material constituted only a fraction of any given commercial. Some portion of the profits may have been attributable to the infringement, but much of the profits must be attributed to non-infringing aspects of the commercials. Testimony at trial showed from three perspective why the use of an undifferentiated figure does not convincingly establish what profits are attributable to the infringement.

First, the cost of slides used in a commercial is only one of may expenses involved. The single figure

for "dollars spent on television advertising" must be composed of lesser expenditures for a variety of goods and services: photographs used in the commercial, fees paid to the producer of the commercial, and air time or showing the commercial, to name a few. If, for instance, 50% of the cost to someone airing a commercial went to television stations to pay for air time, another 30% went to the producer, and 20% went to purchase ten slides used in the commercial, which also used five infringed slides, then it would be wholly illogical to treat the entire profits derived from airing the commercial as attributable to the five infringed slides. Yet this is, in essence, what Vane asked the district court to do. Dr. Lyon testified that he had adjusted the sales figures his model yielded to account for air time

and production costs, but neither his testimony nor the computer printouts introduced as an exhibit make clear what this adjustment was. Even if Dr. Lyon's analysis accurately showed the relationship between dollars spent on advertising and profits yielded, it did not show the relationship between the dollars that should have been spent on the rights to use Vane's slides and the total television advertising costs. Evidence of this relationship might have provided a basis for showing what portion of the profits the commercials yielded were attributable to the infringement.

Second, the infringed slides appeared during only part of the time the commercials were on the air. Vane testified that the general format of the commercials in question consisted of a "trailer" or introductory film

segment setting forth a theme for the commercial, followed by a segment featuring various items of merchandise, concluding with another brief trailer. To the extent that Vane's slides appeared in the commercials, they appeared only in the middle segments, never in the trailers. Moreover, the middle segments that contained infringed slides also contained noninfringed slides. If only eight seconds of a thirty-second commercial contained infringed slides, it would be irrational to believe that all the profits the commercial brought in were due to those slides.

Third, Dr. Lyon's model did not purport to show the relative importance of different elements of the commercials in generating profits for The Fair. On cross-examination, counsel for The Fair asked Dr. Lyon:

> If we take your figures that are given here of some $600,000 that you say are attributable to the TV advertising dollar, do you express any opinion as to what percentage of that should be attributable to Mr. Vane's slides as contrasted to work product of Vance-Mathews in putting the commercials together?

Dr. Lyon responded:

> No, sir.... I'm simply looking at the revenue or gross revenues generated by those ads. I did not look at the ads specifically. I don't think--I mean, I thought of that issue, but I don't think it can be answered.

Photographs of particular items featured in commercials doubtless play a role in producing sales, but, we assume, so do such aspects of the commercials as text of the voice-overs, general slogans or phrases promoting the store itself, and overally concept of the commercial's message. Vane himself described the trailers that introduced the commercials as "a very nice attention-getting device, which

is the first responsibility of an ad." Dr. Lyon admitted on cross-examination that the carryover benefit of an advertisement promoting a particular sales event, such as a Father's Day or an Easter sale, would probably be achieved primarily because the advertisement promoted name recognition of the store, that was holding the sale. But Dr. Lyon's model did not show what part of the Fair's profits should be attributed to these factors rather than to the use of the infringed slides.

By pointing to these problems in Dr. Lyon's analysis, we do not suggest that a calculation based on a mathematical formula involving the ratio of fair cost of infringed material to entire cost of commercial, or length of air time of infringed material to

length of entire commercial, would be the only means of showing profits. The question will often be highly fact-specific. We merely hold that it was not error for the district court to reject this attempt to show revenues attributable to the infringement as speculative.

III.

[3] The district court orally granted Vance-Mathews's motion for a directed verdict and later rendered judgment in favor of Vance-Mathews "for the reasons announced by the Court at that time." Although the district court did not specifically state the statutory authority for its grant of the motion, we affirm on the basis that Vance-Mathews was an innocent infringer as defined by 17 U.S.C.

§ 405(b) (1982). That section states, in relevant part:

> Any person who innocently infringes a copyright, in reliance upon an authorized copy or phono record from which the copyright notice has been omitted, incurs no liability for actual or statutory damages under Section 504 [17 U.S.C. § 504] for any infringing acts before receiving actual notice that registration for the work has been made under Section 408 (17 U.S.C. § 408], if such person proves that he or she was misled by the omission of notice.

The Copyright Act defines "copies" as "material objects" ... in which a work is fixed"[5] and provides that "[t]he term 'copies' includes the material object ... in which the work is first fixed."[6]

5. 17 U.S.C. § 101 (1982).

6. Id.

Vance-Mathews raised the defense of innocent infringement in its First Amended Original Answer and relied on

§ 405(b) in its argument in support of its motion for a directed verdict. At trial, the president of Vance-Mathews testified that the agency had no knowledge that the slides were copyrighted, or that anyone claimed that they were copyrighted, or that the slides belonged to anyone other than The Fair. He also stated that if the slides had borne a notice of copyright, the agency would have checked with The Fair to see whether use of the slides in a commercial posed any problems. A senior vice-president of The Fair testified that none of the slides or photographs it received from Vane bore any copyright markings, nor did Vane attempt to have copyright markings affixed after he delivered the materials to The Fair. He further testified that at the time The Fair turned the slides over to Vance-

Mathews, none of them bore copyright markings.

Although Vane testified that it was his practice to stamp slides with an indication of his copyright before sending them to clients, he acknowledged that "some could have slipped through, I suppose, considering the volume of slides I tendered." At trial, counsel for The Fair presented Vane with 58 boxes of slides of his work as well as a number of black-and white photographs that Vane had previously delivered to The Fair. Vane testified that if they were originals rather than copies of his slides and photographs, he would expect them to bear his copyright mark, but after inspecting them, he failed to identify a single slide or photograph that bore notice of copyright.

In this non-jury trial, it was the judge's role to resolve any conflicting inferences arising from witnesses' testimony. Both Vance-Mathews executives testified unequivocally that the slides they received were not marked, and its president further testified that the agency would have inquired about ownership of rights to the slides if they had been so marked. The district court obviously chose to credit the testimony of the Vance-Mathews witnesses, because it entered a finding of fact that Vane failed to affix any copyright mark or notice to the slides he delivered to The Fair. The evidence was, therefore, sufficient to allow the court to grant Vance-Mathews's motion for a directed verdict on the theory that it was an innocent infringer misled by the omission of notice of copyright.

For these reasons, we AFFIRM.

IN THE UNITED STATES COURT OF APPEALS

FOR THE FIFTH CIRCUIT

No. 87-2757

ESTATE OF DEAN M. VANE, RICHARD J. VANE, Executor, Substituted in place and stead of Dean M. Vane, Deceased,

Plaintiff-Appellant
Cross-Appellee,

versus

THE FAIR, INC.

Defendant-Appellee
Cross-Appellant,

and

VANCE-MATTHEWS, INC.,

Defendant-Appellee.

Appeal from the United States District Court for the Eastern District of Texas

---

ON PETITION FOR REHEARING

(August 11, 1988)

Before WISDOM, RUBIN and JONES, Circuit Judges.

PER CURIAM:

IT IS ORDERED that the petition for rehearing filed in the above entitled and numbered cause be and the same is hereby denied.

CLERK'S NOTE:

SEE FRAP AND LOCAL RULES 41 FOR STAY OF THE MANDATE.

ENTERED FOR THE COURT:

_____

United States Circuit Judge

IN THE UNITED STATES DISTRICT COURT

FOR THE EASTERN DISTRICT OF TEXAS

BEAUMONT DIVISION

DEAN M. VANE	*	
	*	
VS.	*	CIVIL ACTION NO.
	*	B-84-1267-CA
	*	
THE FAIR, INC.	*	
AND	*	
VANCE-MATHEWS, INC.	*	

FINAL JUDGMENT

Came on for trial the above-captioned cause, and in Accordance with the Findings of fact and Conclusions of Law entered by the Court on this

date, Judgment is hereby rendered in favor of Plaintiff, DEAN M. VANE, and against Defendant, THE FAIR, INC., in the amount of Sixty Thousand ($60,000.00) Dollars.

Additionally, it is ORDERED that Defendant, THE FAIR, INC., be and hereby is ENJOINED from further infringement of Plaintiff's copyright in the slides, and Defendant, THE FAIR, INC., shall return to Plaintiff any slides or copies of the slides still in its possession.

Reference is hereby made to the Court's oral granting of Defendant, VANCE-MATHEWS, INC.'S Motion for Directed Verdict made at the close of Plaintiff's case-in-chief. Pursuant to the granting of said motion and for the reasons announced by the Court at

that time, Judgment is rendered in favor of VANCE-MATHEWS, INC., and Plaintiff's claims against Defendant, VANCE-MATHEWS, INC., are dismissed with prejudice.

All costs of court are taxed against Defendant, THE FAIR, INC., and all relief not specifically granted herein is hereby DENIED.

SIGNED AND ENTERED this 9 day of June, 1988.

_____

UNITED STATES DISTRICT JUDGE

IN THE UNITED STATES DISTRICT COURT

FOR THE EASTERN DISTRICT OF TEXAS

BEAUMONT DIVISION

DEAN M. VANE	*	
	*	
VS.	*	CIVIL ACTION NO.
	*	B-84-1267-CA
	*	
THE FAIR, INC.,	*	
ET AL	*	

Dana LeJune
2400 Lyric Centre
440 Louisiana
Houston, Texas 77002

Neal J. Mosely
2916 West T.C. Jester Blvd.
Suite 108
Houston, Texas 77018

Alto V. Watson
915 Goodhue Bldg.
Beaumont, Texas 77701

Attorneys for Plaintiff, Dean M. Vane

Tom Hanna
Roger D. Hepworth
P.O. Box 16
Beaumont, Texas 77704

Attorneys for Defendant, The Fair, Inc.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

The above-entitled and numbered cause came on for trial, and the court having considered the pleadings, having heard the testimony and determined the credibility of witnesses, having examined physical exhibits and studied post-trial submissions of the parties, and all of the evidence, and having heard the arguments and reviewed the briefs of counsel, now makes the following Findings of Fact and Conclusions of Law pursuant to Rule 52, Federal Rules of Civil Procedure. If any Finding of Fact should be construed as a Conclusion of Law, it is to be so considered; and should any Conclusion of Law be construed as a Finding of Fact, it is to be so considered.

FINDINGS OF FACT

1.

The Plaintiff, Dean M. Vane, is a citizen of the United States and a resident of the State of Texas. The Defendant, The Fair, Inc., is incorporated under the laws of the State of Texas.

2.

Plaintiff, a commercial photographer, was requested by Defendant to bid on taking photographs for Defendant, which were to be used in advertising mailers. Plaintiff was retained by Defendant for the purpose of taking such pictures for their limited use in mailers. There was no written agreement or employment contract between Plaintiff and Defendant.

During the period from about March 1, 1983 to May 31, 1984, Plaintiff took a series of slides and photographs (hereinafter referred to as slides) for Defendant to be used in, several special occasion and non-special occasion mailers. While employees of Defendant involved in advertising were present during the photo-sessions and periodically made suggestions as to the work being done, Defendant did not have the contractual right to supervise and direct, nor did it supervise and direct, Plaintiff's photography work. More specifically, Plaintiff selected and posed the models, and provided his own materials. Plaintiff was charged with producing the desired photographic result requested by Defendant, but had full

discretion as to the means by which the result was to be obtained.

4.

Plaintiff delivered the slides to Defendant, but failed to affix any copyright mark or notice to the slides so delivered. Per the unwritten agreement between the parties, Defendant paid Plaintiff for the Photographs. As evidenced by the testimony and by the invoices submitted to Defendant by Plaintiff, Plaintiff was compensated for Defendant's limited use of such slides in mailers.

5.

Defendant reproduced the slides in advertising mailers which were distributed to the public. The slides

which appeared in the mailers bore no copyright notice.

6.

Defendant used some of Plaintiff's slides in television advertising from late 1983 until the summer of 1984 without notifying Plaintiff of such use, without permission from Plaintiff, and without compensating Plaintiff for such use. On first learning of these facts, sometime in the summer of 1984, Plaintiff protested the unauthorized use of the slides in such television advertising by Defendant, and demanded compensation for such unauthorized use.

7.

On December 3, 1984, Plaintiff filed applications with the United

States Copyright Office to register his copyright in the slides which were used in mailers, and some of which were used in television advertisements by Defendant. Proper procedures were followed and, in due course, the Copyright Office issued the registrations as Copyright Registration Nos. VAu74-807 and VAu74-808. A subsequent Registration No. VAu88-770 was obtained for additional slides found to have been used in the television advertisements. The applications were made by Plaintiff for unpublished photographs because the question of whether the photographs were ever "published," as that term is defined in the copyright law, was in question at the time the registrations were applied for.

8.

The value of the slides taken by Plaintiff and used by Defendant in television advertisements without the permission of Plaintiff, in addition to the value of such slides for their use in the mailers, is Sixty Thousand ($60,000.00) Dollars.

9.

Plaintiff has failed to prove that Defendant made any profits which are attributable to slides taken by Plaintiff and used by Defendant in television commercials. More specifically, Plaintiff has failed to present adequate proof of Defendant's gross revenues, if any, attributable to Defendant's use of the slides in the television commercials, the evi-

dence presented by Plaintiff on this issue being totally speculative.

10.

Plaintiff brought suit against Defendant for copyright infringement claiming (a) damages in the amount of his lost revenue for the use of his slides in television advertisements, (b) the profits of Defendant attributable to the alleged copyright infringement, (c) an injunction against further copyright infringement by Defendant, and (d) destruction of any remaining infringing copies.

CONCLUSIONS OF LAW

I.

This action arises under the Copyright Act of 1976, 17 U.S.C. §§

101, et seq., and this Court has subject matter jurisdiction pursuant to 28 U.S.C. §1338(a). Venue is proper pursuant to 28 U.S.C. § 1400(a).

II.

Plaintiff introduced into evidence certificates of copyright registration Nos. VAu74-807, VAu74-808, and VAu88-770 issued by the United States Copyright Office. The certificates of registration are prima facie evidence of Plaintiff's copyright in the slides in controversy. 17 U.S.C. § 410(c). Plaintiff had valid copyright registrations in all the works (slides) used by Defendant without his permission at the time of the trial of this cause.

III.

Plaintiff was not an employee of Defendant, but was rather an independent contractor during the period of time that he created the works (slides) made the basis of this suit. Also, Plaintiff's slides were not "work[s] specially ordered or commissioned" within the purview of 17 U.S.C. § 101. Consequently, Plaintiff's slides in controversy are not "works made for hire" within the meaning of the Copyright Act of 1976. Easter Seal Soc. v. Playboy Enterprises, 815 F.2d 323 (5th Cir. 1987).

IV.

Plaintiff did not publish the slides in question, but only delivered them to the Defendant, and Defendant

first published the slides in the form of mailers. Consequently, Defendant's contention that Plaintiff failed to affix notice of copyright to the copies of the slides, and thereby forfeited his right to the copyright, fails as a matter of law. In the alternative, should Plaintiff be held to have published his slides by virtue of Defendant's use of such slides in the mailers, Plaintiff's copyright in the slides is nevertheless valid because registration for the slides was made within five (5) years after the publication without notice, and Plaintiff made a reasonable effort to add notice to all copies of the slides that were distributed to the public in the United States, after omission was discovered, all in satisfaction of 17 U.S.C. § 405(a)(2).

V.

There has been no showing by Defendant of scienter on the part of Plaintiff or his counsel in the filing of the copyright registrations. Original Appalachian Artworks, Inc. v. Toy Loft, 684 F.2d 821 (11th Cir. 1982). Therefore, Plaintiff's failure to advise the Copyright Office on Section 3 of the Applications for Copyright Registrations of Defendant's publication of the slides in the mailers does not invalidate Plaintiff's copyright in the slides.

VI.

Plaintiff's delivery of the slides to Defendant for use in the mailers was not a publication of the slides and no copyright notice was required.

Moreover, Defendant was at all times aware that its use of the slides was limited to mailers per the agreement between the parties. Consequently, Defendant was not misled by an omission of notice from Plaintiff's slides, and Defendant is not an innocent infringer within the purview of 17 U.S.C. § 405(b).

VII.

Plaintiff owns valid copyright registration Nos. VAu74-807, VAu74-808 and VAu88-770, and those registrations have been infringed by Defendant's use of Plaintiff's slides in television advertising.

VIII.

Plaintiff suffered Sixty Thousand ($60,000.00) Dollars in actual damages

as a result of Defendant's infringement of his copyright in the slides, and is entitled to recover the same.

IX.

Plaintiff has failed to present sufficient proof of Defendant's gross revenue, if any, attributable to Defendant's infringement. Consequently, Defendant is relieved of proving its deductible expenses and the elements of profit attributable to factors other than the copyrighted works. Plaintiff is therefore not entitled to any profits of Defendant that are attributable to the Defendant's infringement, as allowed by 17 U.S.C. § 504(b).

In accordance with the foregoing, it is hereby ORDERED, ADJUDGED and

DECREED that Judgment is GRANTED in favor of Plaintiff and against Defendant in the amount of Sixty Thousand ($60,000.00) Dollars. It is further ORDERED that Defendant be and is hereby enjoined from further infringement of Plaintiff's copyright in the slides, and Defendant shall return to Plaintiff any slides or copies of the slides still in its possession. All other relief not specifically granted herein is DENIED.

SIGNED AND ENTERED this 9 day of June, 1987.

_____

UNITED STATES DISTRICT JUDGE

(2)

Supreme Court, U.S.
FILED
DEC 2 1988
JOSEPH F. SPANIOL, JR.
CLERK

No. 88-755

In The

Supreme Court of the United States

October Term, 1988

ESTATE OF DEAN M. VANE,

Petitioner,

vs.

THE FAIR, INC., AND VANCE-MATHEWS, INC.,

Respondents.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIFTH CIRCUIT

RESPONDENT'S BRIEF IN OPPOSITION TO CERTIORARI

BENCKENSTEIN, NORVELL, BERNSEN & NATHAN
LIPSCOMB NORVELL, JR.
DENISE HUBBARD
P. O. Box 551
Beaumont, Texas 77704
(409) 833-4309

Attorneys for Respondent, Vance-Mathews, Inc.

COCKLE LAW BRIEF PRINTING CO., (800) 225-6964
or call collect (402) 342-2831

COUNTERSTATEMENT OF QUESTION PRESENTED

2. Was the Fifth Circuit Court of Appeals correct in its holding that Respondent/Appellee, Vance-Mathews, Inc., was an innocent infringer upon the copyrights of Petitioner/Appellant, the Estate of Dean M. Vane?[1]

---

[1]Please note: Only Petitioner's Question 2 is germane to this Respondent.

TABLE OF CONTENTS

	Page
Counterstatement of Question Presented	i
Table of Authorities	iii
Opinion Below	1
Jurisdiction	2
Statutes and Rules of Procedure Involved	2
Counterstatement of the Case	4
Reasons for Denying the Writ	5
Conclusion	9

TABLE OF AUTHORITIES

Page

CASES

Canfield v. Ponchatoula Times, 759 F.2d 493 (5th Cir. 1985) 5

Twentieth Century-Fox Film Corporation v. Dunnahoo, 637 F.2d 1338 (9th Cir. 1981) 8

STATUTES AND RULES

17 U.S.C. § 101 ..... 3, 4, 7, 8

17 U.S.C. § 405(a) 2, 8

17 U.S.C. § 405(b) 2, 3, 5, 6, 7, 8, 9

OTHER SOURCES

2 M. Nimmer, NIMMER ON COPYRIGHT: A TREATISE ON THE LAW OF LITERARY, MUSICAL AND ARTISTIC PROPERTY, AND THE PROTECTION OF IDEAS (1985) 5, 6

No. 88-755

In The

Supreme Court of the United States

October Term, 1988

ESTATE OF DEAN M. VANE,

Petitioner,

vs.

THE FAIR, INC., AND VANCE-MATHEWS, INC.,

Respondents.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIFTH CIRCUIT

RESPONDENT'S BRIEF IN OPPOSITION TO CERTIORARI

OPINION BELOW

The opinion of the Fifth Circuit Court of Appeals is reported at 849 F.2d 186 and is attached to Petitioner's Petition as Exhibit A at page A 1.

JURISDICTION

The jurisdictional requisites are adequately set forth in the Petition for Writ of Certiorari to the United States Court of Appeals for the Fifth Circuit ("the Petition").

STATUTES AND RULES OF PROCEDURE INVOLVED

17 U.S.C. §§ 405(a) and 405(b) provide:

§ 405. **Notice of copyright: Omission of notice**

(a) **Effect of omission on copyright.** The omission of the copyright notice prescribed by sections 401 through 403 from copies or phonorecords publicly distributed by authority of the copyright owner does not invalidate the copyright in a work if—

(1) the notice has been omitted from no more than a relatively small number of copies or phonorecords distributed to the public; or

(2) registration of the work has been made before or is made within five years after the publication without notice, and a reasonable effort is made to add notice to all copies or phonorecords that are distributed to the public in the United States after the omission has been discovered; or

(3) the notice has been omitted in violation of an express requirement in writing that, as a condition of the copyright owner's authorization of the public distribution of copies or phonorecords, they bear the prescribed notice.

(b) **Effect of omission on innocent infringers.** Any person who innocently infringes a copyright, in reliance upon an authorized copy or phonorecord from

which the copyright notice has been omitted, incurs no liability for actual or statutory damages under section 504 for any infringing acts committed before receiving actual notice that registration for the work has been made under section 408, if such person proves that he or she was misled by the omission of notice. In a suit for infringement in such a case the court may allow or disallow recovery of any of the infringer's profits attributable to the infringement, and may enjoin the continuation of the infringing undertaking or may require, as a condition of permitting the continuation of the infringing undertaking, that the infringer pay the copyright owner a reasonable license fee in an amount and on terms fixed by the court.

17 U.S.C. § 101 provides in pertinent part:

Definitions

As used in this title, the following terms and their variant forms mean the following: . . .

"Copies" are material objects, other than phonorecords, in which a work is fixed by any method now known or later developed, and from which the work can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device. The term "copies" includes the material object, other than a phonorecord, in which the work is first fixed.

A work is "fixed" in a tangible medium of expression when its embodiment in a copy or phonorecord, by or under the authority of the author, is sufficiently permanent or stable to permit it to be perceived, reproduced, or otherwise communicated for a period of more than transitory duration. . . .

"Publication" is the distribution of copies or phonorecords of a work to the public by sale or other transfer of ownership, or by rental, lease, or lending. The offering to distribute copies or phonorecords to a group of persons for purposes of further distribution,

public performance, or public display, constitutes publication. A public performance or display of a work does not of itself constitute publication.

To perform or display a work "publicly" means—

(1) to perform or display it at a place open to the public or at any place where a substantial number of persons outside of a normal circle of a family and its social acquaintances is gathered; or

(2) to transmit or otherwise communicate a performance or display of the work to a place specified by clause (1) or to the public, by means of any device or process, whether the members of the public capable of receiving the performance or display receive it in the same place or in separate places and at the same time or at different times.

—o—

COUNTERSTATEMENT OF THE CASE

Petitioner, Dean M. Vane, filed suit against Vance-Mathews, Inc., and The Fair, Inc., pursuant to Title 17 of the United States Code, which is the Copyright Act of 1976, alleging infringement of copyright. The case was tried to the court without a jury. At the close of Mr. Vane's case, the court rendered judgment in favor of Vance-Mathews, Inc., and dismissed his claim against Vance-Mathews with prejudice. At the conclusion of the case the court entered a judgment in favor of Mr. Vane against The Fair, Inc., and awarded him $60,000.

Mr. Vane subsequently perfected his appeal to the Fifth Circuit Court of Appeals. Following oral argument by counsel for the parties, the Fifth Circuit Court on July 14, 1988, rendered its decision affirming the actions of the

trial court and the court's finding that Vance-Mathews, Inc., was an innocent infringer upon Mr. Vane's copyright. Mr. Vane's Motion for Rehearing was denied on August 11, 1988.

———o———

REASONS FOR DENYING THE WRIT

The Petition sought by Vane should be denied because the Fifth Circuit Court of Appeals correctly upheld the trial court's judgment in favor of Vance-Mathews, Inc., based on Vance-Mathews' innocent infringer defense. Section 405(b) of the Copyright Act provides that a party desiring innocent infringer status must show innocent infringement in reliance upon an authorized copy which omitted the copyright notice and that the party was misled by the omission. 17 U.S.C. § 405(b) (1978). In *Canfield v. Ponchatoula Times*, 759 F.2d 493, 498 (5th Cir. 1985), the Fifth Circuit notes that § 405(b) avoids the "inequitable situation" which would result if an innocent infringer were held liable for damages. Accordingly, § 405(b) "removes liability for statutory and actual damages from innocent infringers who are misled by the lack of notice." *Id.* The statute thus encourages notice because it precludes copyright protection "when a good faith infringer can show reliance on lack of notice." *Canfield*, 759 F.2d at 499. Congress' intent in enacting the legislation which provides for the innocent infringement defense was set forth in a Congressional report discussing the Copyright Act:

> '. . . a person acting in good faith and with no reason to think otherwise should ordinarily be able to assume that a work is in the public domain if there is no no-

> tice on an authorized copy or phonorecord and that, if he relies on this assumption, he should be shielded from unreasonable liability.' H. Rep., p. 148.

2 M. Nimmer, NIMMER ON COPYRIGHT: A TREATISE ON THE LAW OF LITERARY, MUSICAL AND ARTISTIC PROPERTY, AND THE PROTECTION OF IDEAS (1985), at 7-102.3 n. 21.

The lower court record provides substantial evidence to support the district court's finding that Vance-Mathews' conduct in this case met the criteria of § 405(b) and that it should therefore be shielded from liability. Herschel Mathews, President of Vance-Mathews, Inc., testified that he had no knowledge that the slides in question were copyrighted. (Tr. 393-394). Mr. Mathews further testified that when Vance-Mathews produced the television commercials which contained the slides, he relied in good faith on the belief that he had the right to use them fully. (Tr. 396). He had no notice that any copyright was claimed in the slides. (Tr. 396). When The Fair, Inc., delivered the slides to Vance-Mathews, they did not contain a copyright notice. (Tr. 394). If copyright notice had been affixed to the slides, the Vance-Mathews agency would have determined whether any problems existed regarding the use of the slides. (Tr. 395).

Dean Vane's testimony provides further evidence that Vance-Mathews is an innocent infringer. Mr. Vane failed to affix notice to the slides he initially delivered to The Fair, Inc., some of which were later used in television commercials. During the trial Mr. Vane examined several exhibits, including fifty-eight boxes of slides and several photographs. (Tr. 96-97, 105, 107, 109). Mr. Vane testified that the slides and photographs were his work. (Tr.

96-97, 105, 107, 109, 145). However, neither the photographs nor the slides bore his usual copyright stamp. (Tr. 106, 109, 144-145). Mr. Vane admitted that he had produced thousands of slides and that his habit was to place his copyright stamp on all of his slides (Tr. 144-145), as well as his photographs (Tr. 144). His purpose in doing that was to place third parties on notice of his rights in the photographs. (Tr. 144). In this case he assumed that he had stamped the slides and photographs in question, but he admitted that he obviously made a mistake and did not. (Tr. 145). This testimony, as well as the testimony of Herschel Mathews, clearly established that Vance-Mathews relied in good faith on the omission of notice from Mr. Vane's work within the meaning of § 405(b) of the Copyright Act.

Petitioner argues that Vance-Mathews' reliance on the original slides was misplaced and caused it to lose innocent infringer status because the original slides were not published or publicly distributed and therefore not "authorized" under § 405(b). Petitioner's brief states that the lower court found the slides to be unpublished. However, Petitioner fails to recognize that the lower court made an alternative holding that Petitioner's publication of the slides in the mailers did not invalidate his copyright since he registered the copyright within five years of the publication without notice and made a reasonable effort to add notice to the remaining slides. In a finding of fact, the lower court stated that the slides were distributed to the public in advertising mailers. The definition of "publication" in the Copyright Act reinforces that the court's finding was correct. Section 101 of the Act states that ". . . the offering to distribute copies or phono-

records to a group of persons for the purposes of further distribution, public performance or public display constitutes publication. . . ." 17 U.S.C. § 101 (1978). Certainly Mr. Vane distributed the "copies" in question for purposes of further distribution when he sold them to The Fair, Inc., to be placed in mailers. As the Fifth Circuit noted, the term "copies" under § 101 includes the material object in which the work is first fixed (in this case, the original slides).

Nevertheless, even assuming that the slides were not "published," Petitioner provides no authority for his argument that the "authorized copy" to which § 405(b) refers means "published" copy. The case of *Twentieth Century-Fox Film Corporation v. Dunnahoo,* 637 F.2d 1338 (9th Cir. 1981), which is cited by Petitioner, does not stand for the proposition that one who relies on an unpublished or original work loses innocent infringer status; it does not even discuss the innocent infringement defense. Rather, *Dunnahoo* stands for the proposition that only an authorized publication must carry copyright notice in order for the work to maintain copyright protection. *Dunnahoo,* 637 F.2d at 1343. In this case, whether or not the slides were "published" is not the determining factor under § 405(b); the slides were "authorized" within the meaning of the statute since they were originals distributed to The Fair, Inc., by Petitioner himself. This is true even though Mr. Vane did not authorize the ultimate use of the slides in the television commercials.

Mr. Vane obviously recognized that his slides were publicly distributed within the meaning of § 405(a) when they were delivered to The Fair to be placed in the mail-

ers. He testified at trial that he habitually placed his copyright stamp on all of his original slides in order to give notice to third parties. However, in this case he made a mistake and did not place the requisite notice on the originals. (Tr. 145). He cannot now come before this Court claiming that Vance-Mathews relied on unauthorized copies or copies that were never publicly distributed.

As an innocent infringer under § 405(b), Vance-Mathews is liable only for any profits attributable to the infringement and not for actual or statutory damages. 17 U.S.C. § 405(b) (1978). Since Mr. Vane stipulated that Vance-Mathews had no profits attributable to the infringement (Tr. 393), the trial court correctly dismissed Mr. Vane's claim at the close of his case. Therefore, the Fifth Circuit's opinion affirming judgment in favor of Vance-Mathews, Inc., is in all respects correct and the Petition should be denied.

CONCLUSION

For these reasons, the Petition for a writ of certiorari should be denied.

Respectfully submitted,

BENCKENSTEIN, NORVELL,
BERNSEN & NATHAN
LIPSCOMB NORVELL, JR.
DENISE HUBBARD
P. O. Box 551
Beaumont, Texas 77704
(409) 833-4309

Attorneys for Respondent,
Vance-Mathews, Inc.

Supreme Court, U.S.
FILED
DEC 2 1988
JOSEPH F. SPANIOL, JR.
CLERK

No. 88-755

In The
Supreme Court of the United States
October Term, 1988

ESTATE OF DEAN M. VANE,

Petitioner,

vs.

THE FAIR, INC., AND VANCE-MATHEWS, INC.,

Respondents.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIFTH CIRCUIT

RESPONDENT, THE FAIR, INC.'S, BRIEF IN OPPOSITION TO CERTIORARI

THOMAS L. HANNA
MEHAFFY, WEBER,
KEITH & GONSOULIN
Post Office Box 16
Beaumont, Texas 77704
(409) 835-5011

Attorneys for Respondent, The Fair, Inc.

COCKLE LAW BRIEF PRINTING CO., (800) 225-6964
or call collect (402) 342-2831

COUNTERSTATEMENT OF QUESTION PRESENTED

Whether the Court of Appeals was correct in holding that the District Court did not commit error in finding that the evidence submitted by Petitioner concerning damages—based on profits attributable to an alleged copyright infringement was speculative.[1]

---

[1]Respondent, The Fair, Inc., is responding only to Petitioner's Question No. 1 as Question No. 2 is not germane to this Respondent.

CORPORATE AFFILIATION

Respondent, The Fair, Inc., is a Texas corporation that has no parent corporation, no subsidiaries other than wholly owned subsidiaries, and no affiliate corporations.

TABLE OF CONTENTS

	Page
COUNTERSTATEMENT OF QUESTION PRESENTED	i
CORPORARTE AFFILIATION	ii
TABLE OF CONTENTS	iii
TABLE OF AUTHORITIES	iv
OPINIONS BELOW	1
JURISDICTION	2
STATUTES AND RULES OF PROCEDURE INVOLVED	2
COUNTERSTATEMENT OF THE CASE	3
REASONS FOR DENYING THE WRIT	7
THE DECISION BELOW IS CLEARLY CORRECT	8
THERE IS NO IMPORTANT GROUND FOR GRANTING CERTIORARI	9
THERE IS NO CONFLICT OF DECISIONS	10
CONCLUSION	13

TABLE OF AUTHORITIES

Page

CASES

Callaghan v. Myers, 128 U.S. 617, 9 S.Ct. 177, 32 L.Ed. 547 (1888) 11

Easter Seal Society v. Playboy Enterprises, 815 F.2d 323, REH. DEN. 820 F.2d 1223 (5th Cir. 1987) 6

Equal Employment Opportunity Commission v. Datapoint Corp., 570 F.2d 1264 (5th Cir. 1978) 7

General Talking Pictures Corp. v. Western Electric Co., Inc., et al, 304 U.S. 175, 58 S.Ct. 849, 82 L.Ed. 1273, adhered to 305 U.S. 124, 59 S.Ct. 116, 83 L.Ed. 81, REH DEN. 305 U.S. 675, 59 S.Ct. 355, 83 L.Ed. 437 (1938) 8

Goodman v. Lukens Steel Co., 482 U.S. —, 107 S.Ct. 2617, 96 L.Ed.2d 572 (1987) 9

Pullman-Standard v. Swint, 456 U.S. 273, 102 S.Ct. 1781, 72 L.Ed.2d 66 (1982) 9

Rice v. Sioux City Memorial Hospital Cemetery, Inc., 349 U.S. 70, 75 S.Ct. 614, 99 L.Ed. 897 (1955) ... 9

Russell v. Price, 612 F.2d 1123 (9th Cir. 1979) 11

Sheldon v. Metro-Goldwyn Pictures Corp., 309 U.S. 390, 60 S.Ct. 681, 84 L.Ed. 825 (1940) 11

Sid & Marty Kroft Television v. McDonald's Corp., 221 U.S.P.Q. 114 (D.C.C.D. Calif., 1983) 11

Sygma PhotoNews, Inc. v. High Society, 778 F.2d 89 (2nd Cir. 1985) 11, 12

Taylor v. Meirick, 712 F.2d 1112 (7th Cir. 1983) 11, 12

TABLE OF AUTHORITIES—Continued

Page

STATUTES AND RULES

Copyright Act of 1976, 17 U.S.C.S. § 101 *et seq.* 10
17 U.S.C. § 504(b) 2, 11
Fed. R. Civ. P. 52(a) 2, 6, 7, 8, 9, 12
Supreme Court Rule 17 3

No. 88-755

In The

Supreme Court of the United States

October Term, 1988

ESTATE OF DEAN M. VANE,

Petitioner,

vs.

THE FAIR, INC., AND VANCE-MATHEWS, INC.,

Respondents.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIFTH CIRCUIT

RESPONDENT, THE FAIR, INC.'S, BRIEF IN OPPOSITION TO CERTIORARI

OPINIONS BELOW

The opinion of the Fifth Circuit Court of Appeals is reported at 849 F.2d 186 and is attached to Petitioner's Appendix at pages A-1 through A-26. The opinion of the United States District Court for the Eastern District of Texas, Beaumont Division, is reported at 676 F. Supp. 133 and is attached to Petitioner's Appendix at pages A-27 through A-45.

JURISDICTION

The jurisdictional requisites are adequately set forth in the Petition for Writ of Certiorari to the United States Court of Appeals for the Fifth Circuit (the "Petition").

———o———

STATUTES AND RULES OF PROCEDURE INVOLVED

17 U.S.C. § 504(b) provides in pertinent part:

> (b) *Actual damages and profits.* The copyright owner is entitled to recover the actual damages suffered by him or her as a result of the infringement, and any profits of the infringer that are attributable to the infringement and are not taken into account in computing the actual damages. In establishing the infringer's profits, the copyright owner is required to present proof only of the infringer's gross revenue, and the infringer is required to prove his or her deductible expenses and the elements of profit attributable to factors other than the copyrighted work.

Fed. R. Civ. P. 52(a) provides in pertinent part:

> (a) Effect. In all actions tried upon the facts without a jury or with an advisory jury, the court shall find the facts specially and state separately its conclusions of law thereon, and judgment shall be entered pursuant to Rule 58; . . . Findings of fact, whether based on oral or documentary evidence, shall not be set aside unless clearly erroneous, and due regard shall be given to the opportunity of the trial court to judge of the credibility of the witnesses.

Sup. Ct. R. 17 provides in pertinent part:

1. A review on writ of certiorari is not a matter of right, but of judicial discretion, and will be granted only when there are special and important reasons therefor. The following, while neither controlling nor fully measuring the Court's discretion, indicate the character of reasons that will be considered.

   (a) When a federal court of appeals has rendered a decision in conflict with the decision of another federal court of appeals on the same matter; . . . or has so far departed from the accepted and usual course of judicial proceedings; or so far sanctioned such a departure by a lower court, as to call for an exercise of this Court's power of supervision.

   (c) When a state court or federal court of appeals has decided an important question of federal law which has not been, but should be settled by this Court, or has decided a federal question in a way in conflict with applicable decisions of this Court.

———o———

COUNTERSTATEMENT OF THE CASE

Petitioner Estate of Dean M. Vane ("Petitioner" or "Vane") was a commercial photographer who was hired by Respondent, The Fair, Inc., ("Respondent" or "The Fair") to produce slides and photographs for use by The Fair in advertising materials. His employment began around March 1, 1983, and continued through the month of May, 1984. There was no written contract or agree-

ment between Petitioner and The Fair. During that period of time Petitioner at The Fair's direction took over two thousand slides and photographs for which he was paid and all of which he turned over to The Fair for its use. Initially the material was used in printed advertising but at a later date fifty-two of the slides were incorporated into television commercials. These commercials were produced and run intermittently from October 21 through December 9, 1983, and from March 15 through June 29, 1984. The television commercials were produced by Respondent Vance-Mathews, Inc. ("Vance-Mathews") which is an advertising agency located in Beaumont, Texas.

The Fair contended that Petitioner had sold the slides and photographs to The Fair. All of the slides and photographs were kept by The Fair in its advertising department as a part of their stock photograph file. When the decision was made in October, 1983, to develop a new television advertising campaign fifty-two of those slides were chosen, along with other stock phototgraphs and slides not produced by Petitioner, for inclusion in the commercials. Petitioner was not consulted because The Fair perceived, rightly or wrongly, that it owned the photographs and had purchased the right to use them for advertising purposes. None of the slides or photographs delivered to The Fair bore a copyright mark or notice. Petitioner was paid in full on each of the invoices which he submitted to The Fair. However, no payment was or has been made for the television usage of these slides. Petitioner complained of the use of the slides in television advertising in July, 1984, and none of his material was used after that. However, Petitioner did not file for copyright registra-

tion of the slides and photographs until after litigation had begun.

The suit, which was filed under the Copyright Act of 1976, 17 U.S.C.S. § 101 *et seq.*, was tried to the district court without a jury. At trial, Petitioner introduced a videotape containing eleven television commercials which allegedly utilized Petitioner's slides. Analysis of that exhibit showed that in the eleven commercials that photographs taken by Petitioner comprised from zero percent to forty-two percent of the commercial running times. It also showed zero percent usage in two commercials and five commercials in which all of the slides utilized were taken by the Petitioner. Other evidence produced at trial showed that the fifty-two slides were used from periods of time ranging from one day up to one week and eight were used on multiple occasions. The court also heard testimony concerning the actual market value of the slides and photographs with testimony ranging from a low of $12,000.00 up to a high of $60,000.00.

Because Petitioner had not timely filed for copyright registration, the recovery of statutory damages and attorneys' fees was not available to him. He instead sought, in addition to his actual damages, any profits which were attributable to the use of the questioned slides in television advertising. To prove this element of damage Petitioner presented testimony concerning a multiple regression formula developed by a marketing professor from the University of Houston. This testimony was questioned vigorously on cross-examination and by direct testimony of The Fair's chief financial officer.

The Fair raised issues of whether the slides in question were the result of work for hire and whether or not

the Petitioner had waived his copyright rights by failing to include notice on the slides or by failing to object to their publication without such notice. The Fair also contested the issue of damages, both actual and profit-related. After receiving briefs and arguments of counsel, the trial court held that Petitioner was entitled to actual damages and granted $60,000.00 as market value of the slides. He denied recovery for The Fair's alleged profits stating that there was not sufficient proof of profits *attributable* to the use of the infringed material.[2] Therefore, the court made no damage award for profits and ruled that The Fair did not have to prove its cost for apportionment.

Petitioner gave notice of appeal and, subsequent to that, The Fair likewise gave notice of appeal. However, based on the Fifth Circuit's intervening decision in *Easter Seal Society v. Playboy Enterprises,* 815 F.2d 323, REH. DEN. 820 F.2d 1223 (5th Cir. 1987) The Fair dropped its cross-appeal which had questioned the court's ruling on the issue of work for hire. Also, The Fair later abandoned its appeal on the issues of waiver and lack of notice of the copyright because of the "clearly erroneous rule" set out in Rule 52(a), Federal Rules of Civil Procedure.

After briefs were submitted and oral argument heard, the Fifth Circuit dealt with the merits of Petitioner's appeal which were substantially the same questions raised here and affirmed the District Court's judgment. They rejected Vane's argument that he should be granted The Fair's alleged profits from the use of the infringing material and held that the trial court was not in error in find-

---

[2]See Finding of Fact No. 9, page A-37, Petition.

ing the Petitioner's attempt to show revenues *attributable to the infringement* was speculative. They also reviewed the record, including the trial transcripts and statement of facts, especially as it concerned the testimony of Petitioner's expert witness, Dr. Herbert Lyon. They stated that the trial testimony showed at least three reasons why the use of an undifferentiated figure in a multiple regression program would not necessarily establish gross profits or income which would be attributable to the use of infringing material. First, was that the cost of a slide used in a commercial is only one of many expenses involved; second, was that the infringed slides appeared during only a part of the time that the commercials were on the air; and, finally, that the model introduced into evidence did not purport to show the relative importance of different elements of the commercials in generating alleged profits. After their review and analysis of the facts before the trial court, based on the principle enunciated in Rule 52(a) F.R.C.P. and the case of *Equal Employment Opportunity Commission v. Datapoint Corp.*, 570 F.2d 1264 (5th Cir. 1978) the Fifth Circuit concluded that the case should be affirmed.

REASONS FOR DENYING THE WRIT

The writ sought by Petitioner should be denied on three specific grounds. First, the Fifth Circuit has correctly decided this case on the merits; second, there is no important ground for granting certiorari; and third, there is no conflict of decisions.

THE DECISION BELOW IS CLEARLY CORRECT

This case is one which deals with a question of factual interpretation. The trial court heard all the evidence and concluded that it would award Petitioner maximum recovery for his actual damages. In fact, the testimony showed that fifty-two slides were used and the maximum value placed on the slides by Petitioner's expert witness was $1000.00 per slide. As a result, the $60,000.00 awarded as actual damages exceeded the Petitioner's highest stated value. However, the Court also evaluated the Petitioner's testimony regarding profits *attributable* to use of the infringed material and ruled that the testimony was speculative and denied recovery on that theory.

The only question presented is one of fact issue review. That is, the question is whether or not the trier of fact, the trial judge in the district court, was clearly erroneous in rejecting the attempted proof of the Petitioner at trial. The Fifth Circuit reviewed these findings of fact and conclusions of law, the statement of facts in the case below and the identical authority presented by Petitioner and held that the case fell within the ambit of Rule 52 of the Federal Rules of Civil Procedure. That ruling is entirely consistent with the ruling of this Court in the case of *General Talking Pictures Corp. v. Western Electric Co., Inc., et al,* 304 U.S. 175, 58 S.Ct. 849, 82 L.Ed. 1273, adhered to 305 U.S. 124, 59 S.Ct. 116, 83 L.Ed. 81, REH DEN. 305 U.S. 675, 59 S.Ct. 355, 83 L.Ed. 437 (1938). The Supreme Court held in that case that whether or not the respondents had acquiesced in a patent infringement and whether or not they were estopped to assert their cause of action were dependent upon the facts in the case. The court held at p. 851 as follows:

> "Granting the writ would not be warranted merely to review the evidence or inferences drawn from it. *Southern Power Co. v. North Carolina Pub. Serv. Co.,* 263 U.S. 508, 44 S.Ct. 164, 68 L.Ed. 413; *United States v. Johnston,* 268 U.S. 220, 227, 45 S.Ct. 496, 69 L.Ed. 925. Moreover, the decision on that point rests on concurrent findings. They are not to be disturbed unless plainly without support. *United States v. Chemical Foundation,* 272 U.S. 1, 14, 47 S.Ct. 1, 6, 71 L.Ed. 131; *United States v. McGowan,* 290 U.S. 592; 54 S.Ct. 95, 78 L.Ed. 522; *Alabama Power Co. v. Ickes,* 302 U.S. 464, 58 S.Ct. 300, 82 L.Ed. 374. There is evidence to support them."

Rule 52(a) of the Federal Rules of Civil Procedure is designed to cover just such a situation. See *Pullman-Standard v. Swint,* 456 U.S. 273, 102 S.Ct. 1781, 72 L.Ed. 2d 66 (1982) at pages 78-79 and *Goodman v. Lukens Steel Co.,* 482 U.S. —, 107 S.Ct. 2617, 96 L.Ed.2d 572 (1987) at page 584. There is nothing to suggest that the trial court's ruling was clearly erroneous and, on such a record, this Court should deny the writ.

———o———

THERE IS NO IMPORTANT GROUND FOR GRANTING CERTIORARI

Supreme Court Rule 17 notes that review by writ of certiorari is not a matter of right, but one of sound, judicial discretion. Therefore, certiorari should be granted only in cases where there are special and important reasons for Supreme Court review. This Court has held in the case of *Rice v. Sioux City Memorial Hospital Cemetery, Inc.,* 349 U.S. 70, 75 S.Ct. 614, 99 L.Ed. 897 (1955) at p. 74 U.S. that "special and important reasons imply a reach to a problem beyond the academic or the episodic."

Further, the Court stated in that opinion that certiorari should not be granted "except in cases involving principles the settlement of which is of importance to the public, as distinguished from that of the parties. . . ." *Ibid*, at p. 79.

The petition filed by Vane presents no important issue of federal law. Trial courts have been reviewing evidence and testimony as triers of fact since the foundation of our judicial system. There is nothing in this decision that attempts to abrogate one word of the Copyright Statute as set out in 17 U.S.C. 101 *et seq.* There is nothing in this ruling which says that a multiple regression program cannot be used in court to prove profits or establish proof in civil rights or voting right cases. The issue was and still is whether or not Petitioner had met its burden of proving to the satisfaction of the trier of fact that the alleged profits were attributable to the use of his slides.

No law is threatened. No class of persons will lose their protection under law. No havoc will be wrecked on the judicial system. There is no important question of federal law which has not been but should be settled by this Court. This is a case where the Court should exercise its discretion by denying the writ.

———o———

THERE IS NO CONFLICT OF DECISIONS

Petitioner nowhere in the Question Presented at p. i of his petition alleges that there exists a conflict between the decision of the Fifth Circuit and another federal court of appeals or this Court. However, in his argument at p. 23 he alleges that the Fifth Circuit's holding conflicts

with holdings in the Second, Seventh and Ninth Circuits, citing *Taylor v. Meirick*, 712 F.2d 1112 (7th Cir. 1983); *Sygma PhotoNews, Inc. v. High Society*, 778 F.2d 89 (2nd Cir. 1985) and *Russell v. Price*, 612 F.2d 1123 (9th Cir. 1979) and also with decisions of this Court, citing the cases of *Callaghan v. Myers*, 128 U.S. 617, 9 S.Ct. 177, 32 L.Ed. 547 (1888) and *Sheldon v. Metro-Goldwyn Pictures Corp.*, 309 U.S. 390, 60 S.Ct. 681, 84 L.Ed. 825 (1940). He attempts to create the perception of a conflict by stating that the Fifth Circuit's finding implies an improper placement of the burden of proof. He says at page 22 of his brief that, "the Fifth Circuit Court of Appeals held that the burden of proof to apportion profits not attributable to the infringement from the profits attributable to the infringements rests with the copyright owner." (Petition, pp. 22-23). One searches in vain for such language in the Court's opinion. What the Fifth Circuit did hold is that there were problems in the Petitioner's proof of profits *attributable* to the use of the infringing material. They held that the question of determination was a fact specific question and that the trial court was not in error in rejecting the Plaintiff's attempted proof. This is not a shift of the burden of proof.

Further, Petitioner states that the Copyright Act, Title 17 U.S.C. § 504(b) states that a copyright owner is required only to present proof of the infringer's gross revenues. That much is true. However, this Rule has long been interpreted to require the plaintiff to present proof of revenues that are attributable to the use of the infringed work. See *Russell v. Price*, supra, at page 1130, quoted below. See also *Sid & Marty Kroft Television v.*

McDonald's Corp., 221 U.S.P.Q. 114 (D.C.C.D. Calif., 1983).

The cases cited by Petitioner are not in conflict with the decision in this case. Neither the Fifth Circuit nor the trial court placed any burden on the Petitioner other than the burden to prove profits which were *attributable* to the use of the infringed material. The only case cited that speaks to Rule 52(a) is the *Sygma Photo* case. There the Second Circuit recognized the stringent requirements of Rule 52(a) of the Federal Rules of Civil Procedure but found the district court's application of the facts "clearly erroneous." In the case of *Taylor v. Meirick, supra,* the court dealt with the question of burden of proof by stating that the plaintiff could have made out a prima facie case for an award of infringer's profits by showing his gross revenues from the sale of the infringing material. The court went on to state that,

> "it was not enough to show Meirick (Defendant's) gross revenues from the sale of everything he sold, which is all, really, that (Plaintiff) did. If General Motors were to steal your copyright and put it in a sales brochure, you could not just put a copy of General Motors corporate income tax return in the records and rest your case for an award of infringer's profits." (p. 1122).

In fact, the most illustrative language concerning the lack of conflict in the cases cited by Petitioner is to be found in *Russell v. Price, supra.* At page 1130 of its opinion, the Ninth Circuits tates as follows:

> "Plaintiff's confusion stems in part from the meaning of the term 'actual profits'. It is clear from a reading of the statute (17 U.S.C. § 101(b)) that the infringer's profits to which the copyright proprietor may be en-

> titled consists of the gross receipts or sales' profits from the infringing use of the plaintiff's work, which is the plaintiff's burden to establish, less any direct costs incurred by the defendant in connection with the unauthorized use, on which the later party bears the burden of proof." (p. 1130-1131).

That is exactly what the trial court and the Fifth Circuit said in this case. That is exactly what the Petitioner failed to establish to the satisfaction of either. There is no misplacement of the burden of proof and there is no conflict. The writ should be denied.

CONCLUSION

For these reasons, the Petition for Writ of Certiorari filed by the Petitioner should be denied.

Respectfully submitted,

THOMAS L. HANNA
MEHAFFY, WEBER,
KEITH & GONSOULIN
Post Office Box 16
Beaumont, Texas 77704
(409) 835-5011

Attorneys for Respondent,
The Fair, Inc.